



March 17, 2009

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Recession Causing Sharp Rise in Medicaid Applications

KHPA Asks Lawmakers to Restore Administrative Cuts

(TOPEKA) – As predicted, the economic downturn is now causing a sharp rise in the number of applications for Medicaid assistance in Kansas, putting a strain on the ability of state Medicaid officials to handle the increased volume.

Since the start of Fiscal Year 2009, according to information released today by the Kansas Health Policy Authority, the number of new applications and annual reviews for benefits under Medicaid and the State Children's Health Insurance Program has grown by an average of 987 applications per month, compared to the same month in FY 2008. That represents about a 9 percent increase over last year, or nearly twice the rate of growth that was projected in the November consensus caseload estimates.

“Given the statewide hiring freeze, no additional staff has been added to accommodate the increased workload,” said Dr. Andrew Allison, Medicaid Director at KHPA. “We have already exhausted all potential trade-offs within the terms of the contract and to date over 10,000 applications and reviews remain unprocessed. This represents an increase of about 67% over the number of unprocessed applications and reviews reported in July 2008.”

Allison noted there is typically a lag between rising unemployment and new applications for assistance. As a result, he said KHPA expects to see continued growth in applications for assistance, and eventually a marked increase in both enrollment and medical expenses by the fall of 2009.

To relieve the backlog and to make sure eligible Kansans receive the health care they need, KHPA will ask the Kansas Legislature to restore cuts to the agency's administrative budget by reinvesting State General Fund dollars that would otherwise be replaced by new federal stimulus payments.

(more)

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Under the stimulus plan – officially known as the American Reinvestment and Recovery Act (ARRA) – the federal government has temporarily increased its share of the cost of Medicaid in Kansas from 60 percent to approximately 66.2 percent. KHPA estimates that will generate an additional \$100.9 million in federal payments during FY 2010 – money that directly replaces State General Fund dollars that would otherwise have to be spent for Medicaid services. Kansas may receive additional Medicaid stimulus money in the FY 2009 and 2010 due to the state’s rapidly rising unemployment rate.

“This recession is causing real pain for families throughout Kansas,” said Dr. Marcia Nielsen, executive director of KHPA. “We’re now seeing evidence of that in the number of people applying for assistance. As these people struggle to cope with the loss of jobs and income, they are worried about losing health coverage for themselves and their dependents, many for the first time. That’s why we’re asking lawmakers to reinvest some of the stimulus-related savings money back into our agency so we can maintain adequate staff and contractual services to handle the increased workload.”

For FY 2009, KHPA’s administrative budget was cut 7.0 percent. That has prevented the agency from filling positions that become vacant through normal staff turnover. It has also forced the agency to reduce, and in some cases even cancel, many of its contracts.

For FY 2010, the governor’s budget proposal calls for KHPA to cut administrative costs even further, amounting to 12.7 percent below the approved FY 2009 budget. That would include a \$1.2 million cut in salaries and wages – requiring it to hold 35 positions vacant, or more than 10 percent of its authorized workforce. It would also require a \$5.5 million cut in contractual expenses. KHPA estimates that would result in a \$43,900 cut in the clearinghouse contract that manages Medicaid and SCHIP eligibility.

Current budget proposals being considered in the House and Senate budget committees would require administrative cuts even deeper than those proposed by the governor.